



National Audit Office

Progress in tackling pensioner poverty: Encouraging take-up of entitlements

This report has been published alongside a technical report
Progress in tackling pensioner poverty: Encouraging take-up of entitlements –
Technical report, HC 1178-II, Session 2005-2006

LONDON: The Stationery Office
£8.25

Ordered by the
House of Commons
to be printed on 18 July 2006

EXECUTIVE SUMMARY

In 2002 our report *Tackling pensioner poverty: Encouraging take-up of entitlements* examined efforts by the Department for Work and Pensions to increase pensioners' take-up of benefits. Since this report, the Government has made important changes to the benefits to pensioners and their delivery through The Pension Service, created in 2002 as an executive agency of the Department for Work and Pensions (the Department). These changes include introducing Pension Credit to replace the Minimum Income Guarantee as the main income-related benefit for those of pension age, and supplementing the State Pension which is the most important pensioner entitlement in financial terms and has very high take-up. Following our report, the Committee of Public Accounts made a number of recommendations.¹ This report assesses the progress the Department has made against those recommendations, and what challenges remain. Our accompanying Technical Report documents our methodology and findings in greater detail.² Our overall conclusion is that since our 2002 report The Pension Service has made real and substantial progress in helping pensioners to secure their entitlements using new and well thought through approaches, but at the same time there remains more to be done.

BOX 1

People of pensionable age – key facts

- One in six people in the United Kingdom is aged 65 or over and this proportion is set to increase.
- The average age of pensioners is going up.
- The current generation of older people is the most affluent ever.
- State benefits account for a large proportion of most pensioners' income.
- In the last decade the proportion of pensioners living in relative poverty¹ has fallen from 27 per cent to 17 per cent, which was an estimated 1.8 million pensioners in 2004-05.

NOTES

1 DWP (2006) *Households Below Average Income, 2004-05*. Based on 60 per cent median equivalised income, after housing costs. This is a standard measure used, for example by the Social Exclusion Unit and the OECD, and others. This is the measure used throughout the report when we refer to relative poverty.

Has the Department implemented the Public Accounts Committee's recommendations?

On setting targets?	Yes – for take-up of Pension Credit but not at a local level and not for other benefits (see Part 2 of this report)
On communicating effectively with pensioners?	Yes – but more still needs to be done for harder-to-influence pensioners (Part 3)
On working in partnership?	Yes – but there is limited evidence of cost-effectiveness (Part 4)
On simplification and reducing duplication?	Yes – but more needs to be done (Part 5)

What has been achieved?

- 2.7 million pensioner households now receive Pension Credit, one million more than received its predecessor the Minimum Income Guarantee. This is about 61 to 69 per cent of the eligible population (3.7 million to 4.2 million pensioner households).³
- The Pension Service has met its target to pay the Guarantee element of Pension Credit – which helps the poorest pensioners – to 2.1 million households (about 70 to 81 per cent of those eligible).
- The Pension Service created a new board-level post to drive increased take-up of entitlements and is taking a joined-up approach looking at a range of benefits and services for pensioners.
- The Pension Service Local Service delivers a high-quality face-to-face service for pensioners who need it.
- Progress has been made on simplifying the processing of benefits.

What challenges remain?

- The 2006 PSA target to pay Pension Credit to three million households will not be met.
- There has been a fall in take-up of Housing Benefit and Council Tax Benefit.

1 House of Commons Committee of Public Accounts (2003), *Tackling Pensioner Poverty: Encouraging take-up of entitlements*, Twelfth report of Session 2002-03, HC 565. We quote conclusions from this report at the start of Parts 2 to 5 of our report.

2 *Progress in tackling pensioner poverty – Technical Report* HC 1178-II, 2006-07.

3 Take-up rates refer to 2004-05, the latest year for which data is available. Claimant numbers relate to February 2006 – early estimate.

- Some groups of pensioners – such as those in less deprived areas, rural areas, areas with large minority ethnic populations, and areas with older pensioners – are less likely to claim (see Figure 1 on page 6).

But, the latest take-up figures are at least one year old and do not reflect some of the recent good work by The Pension Service.

What works?

- The Pension Credit marketing strategy works well for most customers.
- The Pension Service Local Service provides a high quality customer service and targets harder-to-influence pensioners.
- The Local Service looks at all benefits for pensioners, not just Pension Credit.
- The Pension Service is successfully working in partnership with local government and voluntary sector organisations.

Has the Department got the right strategy?

Yes, particularly if...

- take-up continues to be encouraged across all pensioner benefits.
- there is more local work to target disadvantaged groups which are not always identified by scans of national data.
- there is better monitoring and measurement of activity impact.
- more automatic administrative processes are introduced as soon as practicable.

What more needs to be done?

- Targets set for The Pension Service by the Department should reflect the need to promote work to tackle pensioner poverty more widely than simply encouraging take-up of Pension Credit.
- The Department should improve further the data on who is not claiming, especially on Housing Benefit, Council Tax Benefit, and Attendance Allowance.
- Targeting of local work should be improved by bringing together data sources and encouraging local autonomy.

- The Department should develop its monitoring of cost-effectiveness to inform future strategy and the targeting of local resources.
- A clear policy is needed on The Pension Service's wider role as a gateway to other services.

See page 7 for detailed recommendations.

Value for money assessment

The Pension Service has made good progress in tackling pensioner poverty since our last report, in particular:

Effectiveness

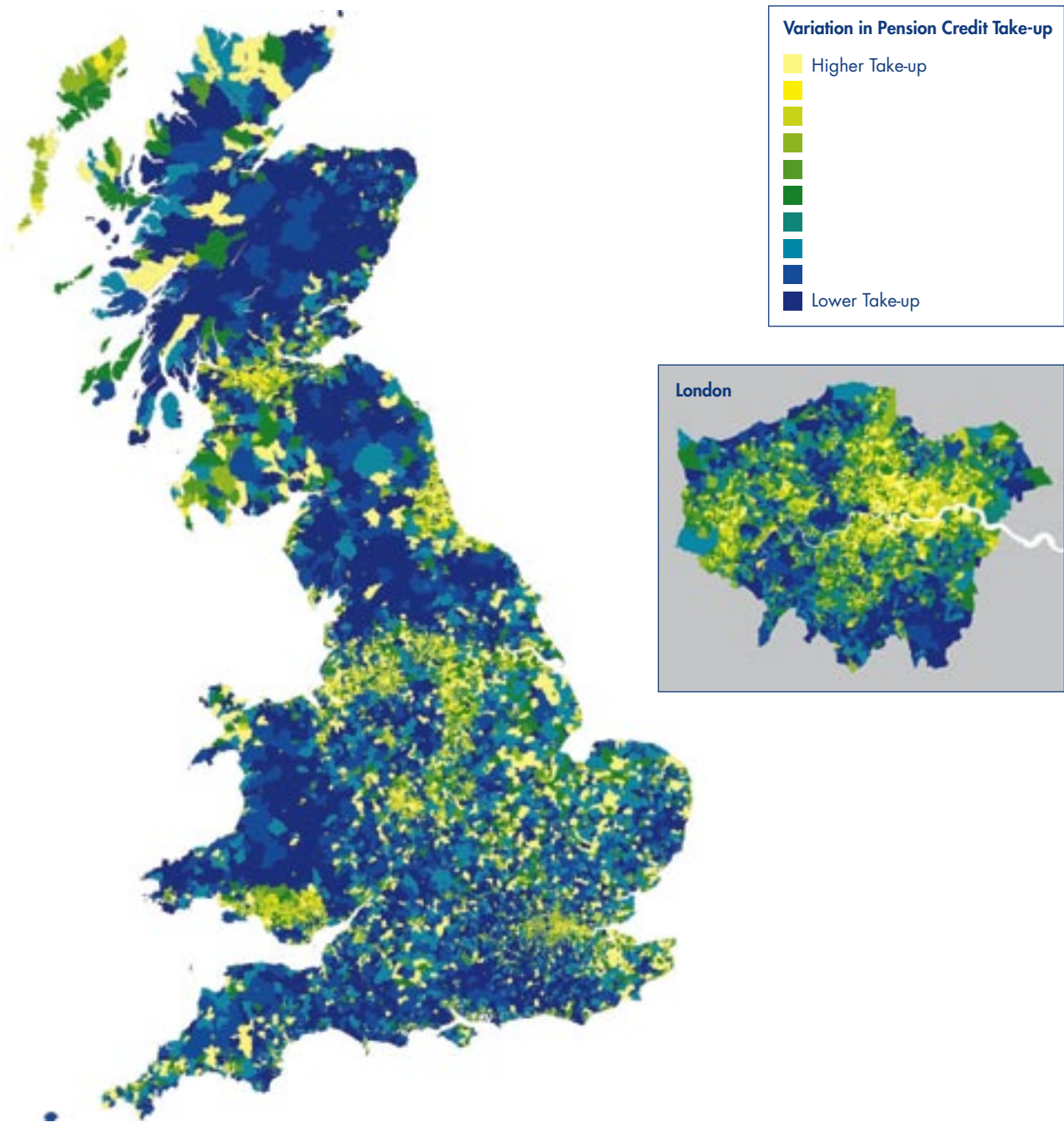
- The Pension Service Local Service delivers a high-quality service to pensioners which generates £1.9 billion in additional benefits for pensioners each year.
- The Pension Service has made good efforts to streamline and simplify benefit applications.
- The Pension Service has made good progress in working with partners.

Efficiency and Economy

- The Pension Credit advertising campaign was twice as cost-effective in increasing benefit take-up as the campaign for its predecessor the Minimum Income Guarantee: for every £1 spent on advertising, £55 was paid out in additional benefits for pensioners.
- Local Service activity is of necessity face-to-face and therefore resource-intensive, generating £7 in extra benefit for pensioners visited per pound spent. However, many of those helped by the Local Service are from the most vulnerable groups and would lose entitlements without its help.
- The Pension Service is making good use of data to target activity.

Challenges remain, as some pensioners are still not claiming benefits to which they are entitled, although in part this is because some pensioners are making a conscious choice not to do so. The latest data does not yet reflect the progress made by the Department, but overall our assessment is: **The Pension Service has a good strategy in place to increase take-up by pensioners and tackle pensioner poverty. This should deliver increasing value for money in the future.**

1 Some areas have lower take-up of Pension Credit



Source: National Audit Office analysis (Technical Report, Chapter 2)

NOTES

- 1 This figure represents variation in take-up of Pension Credit. For example areas shaded dark blue have, according to our model, lower levels of Pension Credit take-up than those areas shaded yellow.
- 2 The ten different colours on the map represent levels of take-up according to our model. We have not provided detailed figures because although our model can estimate which areas have higher or lower take-up it cannot produce reliable take-up rates that could be compared with published statistics.
- 3 Our statistical modelling suggests that, controlling for other factors, take-up of Pension Credit is lower in less deprived areas, rural areas, areas with large minority ethnic populations, and areas with older pensioners. See Chapter 2 of our Technical Report.

RECOMMENDATIONS

Although The Pension Service has succeeded in increasing Pension Credit claimants to 2.7 million households, it will need to take a different approach to reach people who have still not claimed their entitlements. Progress has been made by local service activity, but given that face-to-face activity is resource-intensive, achieving full take-up this way would be very expensive. In the long term, more joined-up processes using a common IT system could allow claims to be generated automatically and help reduce non-take-up. But until this is possible, The Pension Service's strategy of broadening its approach is right. We recommend that it should apply the lessons from Pension Credit to other benefit entitlements. In particular:

1 Targets set for The Pension Service by the Department should reflect the need to promote work to tackle pensioner poverty more widely than simply encouraging take-up of Pension Credit.

The Department has a Public Service Agreement target to pay Pension Credit to three million households by February 2006, rising to 3.2 million by 2008. The existence of a target has been successful in concentrating The Pension Service's efforts on maximising take-up of this new benefit. But Pension Credit is only one of a range of benefits and services for which low-income pensioners may be eligible, and raising take-up across these will have a greater impact on reducing poverty. Setting a series of national targets for different services would be unwieldy and potentially lead to misdirected effort. A more effective performance measure would capture all relevant activity, including measures to increase saving for retirement, in line with wider government objectives. There is no widely agreed definition of pensioner poverty, but the Department is commissioning research into suitable measures. Development of a broader target would need to draw on this research for appropriate definitions and methodologies, and on the experience of delivery organisations to ensure practicability and that indicators are measurable (paragraphs 1.6, 2.3, 2.8).

2 The Department should improve further the data on who is not claiming, especially on Housing Benefit, Council Tax Benefit and Attendance Allowance.

The Department has used data on benefits, occupational pensions and private savings to identify pensioner households potentially eligible for Pension Credit, and sent the details to Pension Centres and the Local Service so that they can follow this up with targeted calls and visits. The Pension Service has also used its records to identify and contact Pension Credit recipients who ought to be receiving Housing Benefit and Council Tax Benefit. It should build on this by using the techniques successfully used for Pension Credit to identify potential recipients of the other income-related benefits, especially in view of the apparent fall in take-up of these benefits. For disability-related benefits, the Department needs to develop a better understanding of the factors relating to successful claims and progress its feasibility work on the scope for estimating take-up rates for Attendance Allowance (paragraphs 2.2, 2.14, 3.2, 3.7).

3 Targeting of local work should be improved by bringing together data sources and encouraging local autonomy.

Our analysis of data to estimate local variations in take-up indicates that there are areas of relatively lower take-up even of Pension Credit, where The Pension Service efforts have been concentrated, and these are likely to be replicated for other benefits. These gaps may represent people unwilling to apply, newly eligible pensioners unaware of entitlements, or people whom nationally driven activity has not reached. Working out which groups are affected and how to reach them can only be done with the assistance of local knowledge. At the same time, our survey has identified relatively little locally-directed work to target groups who are not claiming entitlements, and Local Service managers have little autonomy. The Pension Service should strengthen the role of the Partnership Liaison Manager to allow greater flexibility in Local Service activities, and all agencies responsible for delivering pensioner services need to work together to become more responsive to local needs. The Pension Service has reiterated its commitment to rolling out partnerships with local authorities in joint teams (paragraphs 2.9, 3.7, 3.13, 4.3).

RECOMMENDATIONS *continued*

4 The Department should develop its monitoring of cost-effectiveness to inform future strategy and the targeting of local resources.

Our fieldwork and literature review (Technical Report, **Chapter 6**) identified a lack of systematic evaluation of take-up work, particularly its cost-effectiveness, and limited understanding of the reasons for variations in take-up. We could not carry out our own evaluation because sufficient data on the costs of activities had not been collected locally. Furthermore, we could not make comparisons between different approaches because the Local Service offices take a standard approach across the country, and because there was no data on the baseline level of take-up (for instance, if an area did not make big improvements, it could be because take-up there was already high). More differentiated locally targeted activity, as recommended above, must be supported by monitoring and evaluation, to improve understanding of what works and to identify when to curtail activities that are no longer productive (paragraphs 3.13, 4.4, 4.13).

5 A clear policy is needed on The Pension Service's wider role as a gateway to other services.

The Pension Service aims to work with partners to provide a gateway to a network of entitlements and services for older people, available in future through a single point of contact. At present, it is not clear to what extent staff should point customers towards wider services, and Pension Centre staff do not always feel they have the capacity to do so. The Department should clarify what role it expects the elements of The Pension Service to play in providing links with other services, and train staff accordingly (paragraphs 3.7, 5.2-3, 5.9-10).

